

Auditors' Report

To the Directors of
Organized Crime Agency of British Columbia Society

We have audited the balance sheet of Organized Crime Agency of British Columbia Society as at March 31, 2000 and the statements of revenue and expense, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Organized Crime Agency of British Columbia Society incurs various expenditures relating to criminal investigations. These expenditures, by their nature, are not susceptible to audit verification. Accordingly, we are not able to verify the criminal investigations expenses.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves with respect to the disbursements described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Society as at March 31, 2000 and the results of its operations, changes in fund balances and cash flows for the year then ended in accordance with generally accepted accounting principles.

Vancouver, Canada
May 19, 2000

Grant Thornton LLP

Chartered Accountants

Organized Crime Agency of British Columbia Society Balance Sheet

March 31, 2000

Assets

Current

Cash	\$	1,203,827
Accounts receivable		523,393
Prepaid expenses		<u>23,211</u>

Capital assets (Note 4)

1,750,431
1,820,941

\$ 3,571,372

Liabilities

Current

Accounts payable and accrued liabilities	\$	2,083,764
Term debt, current portion (Note 5)		<u>130,344</u>

Term debt (Note 5) Deferred revenue (Note 6)

2,214,108
563,896
607,716

3,385,720

Fund Balances

Capital assets (Note 7) General

548,251
(362,599)

185,652

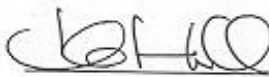
\$ 3,571,372

Commitments (Note 9)

On behalf of the Board



Director



Director

See accompanying notes to the financial statements.

Organized Crime Agency of British Columbia Society Statement of Revenue and Expense

Year Ended March 31, 2000

Revenue

Contributions

Province of British Columbia	\$	3,111,000
Donated services		1,552,546
Royal Canadian Mounted Police		351,720
Amortization of deferred revenue		101,286
Other		84,286
		<u>5,200,838</u>

Expense

Salaries, wages and benefits		2,971,069
Automotive		116,261
Bank charges and interest		18,242
Board of Governors		8,700
Criminal investigations		332,469
Depreciation and amortization		506,476
Materials and supplies		81,030
Miscellaneous		48,725
Occupancy costs		261,420
Professional services		421,539
Repairs and maintenance		102,016
Telephones and pagers		54,637
Training and development		17,904
Travel		74,698
		<u>5,015,186</u>

Excess of revenue over expense	\$	<u>185,652</u>
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See accompanying notes to the financial statements.

Organized Crime Agency of British Columbia Society Statement of Changes in Fund Balances

Year Ended March 31, 2000

	<u>Capital Assets</u>	<u>General</u>	<u>Total</u>
Fund balances, beginning of year	\$ Nil	\$ Nil	\$ Nil
Excess of revenue over expense	(405,190)	590,842	185,652
Net investment in capital assets	909,565	(909,565)	
Repayment of term debt, including interest	<u>43,876</u>	<u>(43,876)</u>	
Fund balances, end of year	\$ <u>548,251</u>	\$ <u>(362,599)</u>	\$ <u>185,652</u>

See accompanying notes to the financial statements.

Organized Crime Agency of British Columbia Society Statement of Cash Flows

Year Ended March 31, 2000

Cash derived from (applied to)

Operating	
Excess of revenue over expense	\$ 185,652
Depreciation	506,476
Amortization of deferred capital contributions	(101,286)
Change in non-cash operating working capital (Note 8)	73,891
	<u>664,733</u>
Financing and Investing	
Deferred contributions	709,002
Purchase of capital assets	(155,298)
Term debt relating to operating expenses	31,150
Repayment of term debt	(45,760)
	<u>539,094</u>
Net increase in cash	1,203,827
Cash resources	
Beginning of year	<u>Nil</u>
End of year	\$ <u>1,203,827</u>
<hr/> Supplemental cash flow information	
Non-cash activities not included in cash flows:	
Acquisition of capital assets on credit	\$ <u>1,463,269</u>
Acquisition of capital assets by term debt	\$ <u>708,850</u>
Interest paid in the year	\$ <u>18,242</u>

See accompanying notes to the financial statements.

Organized Crime Agency of British Columbia Society

Notes to the Financial Statements

March 31, 2000

1. Purpose of the Society

Organized Crime Agency of British Columbia Society was incorporated on March 15, 1999 under the Society Act to facilitate disruption and suppression of organized crime that impacts British Columbia. The Society was also established as a Designated Policing and Law Enforcement Unit on March 23, 1999 under the Police Act.

Operations of the Society commenced effective April 1, 1999.

The Society has a Board of Governance. The seven directors are appointed by the Attorney General of British Columbia.

2. Economic dependence

The Society has an agreement with the Province of British Columbia to provide certain law enforcement services. The current contract expires on March 31, 2001.

Funding is also received from the Royal Canadian Mounted Police for various operating and capital items. They have agreed to continue funding on a cost share basis for the period April 1, 2000 to March 31, 2001.

3. Summary of significant accounting policies

Use of estimates

In conformity with generally accepted accounting principles, management is required to make estimates and assumptions that could affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the year. Actual results could differ from those reported.

Revenue recognition

The Society follows the deferral method of accounting for revenue. Externally restricted revenue is recognized as revenue in the year in which the related expenses are incurred. Unrestricted revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

The general fund reports the revenue and expense related to government contracted services. These amounts are unrestricted in nature.

Restricted funds consist of the capital asset fund and reports the net investment in capital assets. This fund is restricted by the Board.

Organized Crime Agency of British Columbia Society

Notes to the Financial Statements

March 31, 2000

3. Summary of significant accounting policies (Continued)

Capital assets

Capital assets are recorded at cost less accumulated depreciation. Depreciation is recorded on the straight line method over the assets estimated useful life as follows:

Leasehold improvements	Over the term of the lease
Computer software and hardware	3 years
Furniture and equipment	7 years

Donated services

The Royal Canadian Mounted Police and various other municipal police organizations provide certain seconded members to assist the Organized Crime Agency of British Columbia Society in carrying out its services. The fair value of these contributed services can be determined and has been recognized, along with the associated expense, in the financial statements. Effective from April 1, 2000 the organizations will be reimbursed for their contributed services.

Financial instruments

The Society has various financial instruments including cash, accounts receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair value.

Tax status

The Society is exempt from income taxes.

4. Capital assets

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>
Leasehold improvements	\$ 834,945	\$ 278,678	\$ 556,267
Computers	64,380	21,462	42,918
Furniture and equipment	<u>1,428,092</u>	<u>206,336</u>	<u>1,221,756</u>
	<u>\$ 2,327,417</u>	<u>\$ 506,476</u>	<u>\$ 1,820,941</u>

During the year, the Province of British Columbia donated computers and office furniture, which has been recorded at \$1.

Organized Crime Agency of British Columbia Society

Notes to the Financial Statements

March 31, 2000

5. Term debt

Unsecured loan repayable in monthly instalments of \$14,569 including interest at 7% per annum	\$	694,240
Less: current portion		<u>130,344</u>
	\$	<u>563,896</u>

Minimum loan repayments due in each of the next five years are as follows:

2001	\$	174,821
2002		174,821
2003		174,821
2004		174,821
2005		<u>116,547</u>
		815,831
Less: amount representing interest		<u>121,591</u>
	\$	<u>694,240</u>

The unsecured loan is with the British Columbia Buildings Corporation and was used to finance lease negotiation costs and leasehold improvements. Should the Society vacate the property before November 30, 2004, the amount outstanding at the vacation date will become payable in full at that time.

6. Deferred revenue

Deferred revenue contributions consists of revenue received for the purchase of capital assets less the unamortized amount of funding. The amortization is recorded as revenue in the statements of revenue and expense.

Capital funding received	\$	709,002
Less: accumulated amortization		<u>101,286</u>
Balance, end of year	\$	<u>607,716</u>

7. Invested in capital assets

Invested in capital assets is determined as follows:

Capital assets	\$	1,820,941
Amounts financed by		
Deferred revenue		607,716
Term debt relating to capital assets		<u>664,974</u>
	\$	<u>548,251</u>

Organized Crime Agency of British Columbia Society Notes to the Financial Statements

March 31, 2000

8. Change in non-cash operating working capital

Accounts receivable	\$ (523,393)
Prepaid expenses	(23,211)
Accounts payable and accrued liabilities relating to operating items	<u>620,495</u>
	<u>\$ 73,891</u>

9. Commitments

Leases

Organized Crime Agency of British Columbia Society leases premises in Delta, British Columbia, for an annual rent of \$441,780. The lease expires on November 30, 2002.

The Society also leases premises in Victoria, British Columbia, commencing April 1, 2000 for an annual rent plus occupancy costs of \$132,703. The lease expires on June 30, 2001.

Capital assets

The Society has agreed to purchase certain equipment costing approximately \$160,000.

10. Benefit plan

All the employees of the Society are eligible to be members of the Municipal Superannuation Pension Fund ("the Fund"). This plan is multi-employer based and provides employees with retirement benefits.

The Society contributes to the Fund in accordance with the Pension (Municipal) Act. The Public Sector Pension Plans Act Pension Corporation administers the Fund, including the payment of pension benefits, on behalf of employers and the employees to whom this act applies. Contributions made by the Society are expensed in the year they are made and in the current year amount to a total of \$106,394.

The most recent actuarial valuation of the Fund dated December 31, 1997 indicates an unfunded liability of \$547.8 million in respect of pension benefits. The actuary does not attribute portions of the unfunded liability to individual employers. The method of financing and responsibility for the unfunded liability has not been established.